

Message Text

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51

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NEA-10 RSC-01 IO-14 INT-08 AID-20 CIAE-00 FRB-02

INR-10 NSAE-00 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

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INFORM CONSULS

E.O. 11652: N/A

TAGS: EIND, ETRD, CO

SUBJECT: US FERROUS SCRAP EXPORTS

REF: A. STATE 234040

B. STATE 245452

1. INDIVIDUAL COUNTRY FERROUS SCRAP QUOTAS DESCRIBED IN
REF A AND B WERE ALLOCATED ON BASIS OF MATHEMATICAL
FORMULA USING THREE-YEAR BASE PERIOD. MUCH THOUGHT AND
CAREFUL PLANNING WENT INTO THIS ALLOCATION, AND USG
BELIEVES THAT PROGRAM IS MOST EQUITABLE ONE POSSIBLE,
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TAKING INTO CONSIDERATION RECORD US DOMESTIC NEEDS AND

FOREIGN REQUIREMENTS. COUNTRY QUOTAS WILL NOT RPT NOT BE MODIFIED FOR INDIVIDUAL COUNTRIES.

2. AS NOTED IN REFS A AND B, CONTINGENCY RESERVE OF 100,000 SHORT TONS FOR FIRST QUARTER CY 1974 HAS BEEN SET ASIDE FOR NEW ENTRANTS INTO SCRAP MARKET AND FOR INDIVIDUAL CASES OF UNIQUE HARDSHIP. FYI. IT APPEARS THAT PEOPLE'S REPUBLIC OF CHINA WILL BE ONLY FOREIGN MARKET TO QUALIFY UNDER "NEW ENTRANT" CATEGORY, AND NUMEROUS FOREIGN REQUESTS HAVE ALREADY BEEN RECEIVED FOR SPECIAL CONSIDERATION ON GROUNDS OF "UNIQUE HARDSHIP," WITH MORE EXPECTED TO FOLLOW. END FYI. SMALL AMOUNT OF CONTINGENCY RESERVE AND EXTREMELY HEAVY DEMANDS AGAINST IT MAKE IT HIGHLY UNLIKELY THAT USG WILL BE ABLE TO MEET MORE THAN A FRACTION OF THE FOREIGN REQUESTS FOR SPECIAL CONSIDERATION.

3. SCRAP EXPORT CONTROL SITUATION FOR PERIOD BEYOND FIRST QUARTER CY 1974 IS AT BEST UNCERTAIN. FOREIGN REQUESTS FOR US SCRAP IN 1974 TOTAL AN ESTIMATED 18 MILLION SHORT TONS (VS. RECORD HIGH EXPORTS OF AN ESTIMATED 12 MILLION TONS THIS YEAR), AND DEPT COMMERCE ESTIMATES 1974 DOMESTIC US DEMAND AT RECORD 48 MILLION TONS. TOTAL ANTICIPATED 1974 DEMAND OF 66 MILLION TONS REPRESENTS 20 PERCENT INCREASE OVER RECORD 1973 DEMAND OF 55 MILLION TONS. MUCH, OF COURSE, DEPENDS ON LONG-TERM IMPACT OF ENERGY SHORTAGES ON US ECONOMY AND LEVEL OF STEEL PRODUCTION. HOWEVER, EFFECT OF ENERGY SHORTAGES ON WORLD DEMAND FOR FERROUS SCRAP WILL NOT BE CLEAR FOR SEVERAL MONTHS.

4. POLITICAL PRESSURE ON USG TO CURB SCRAP EXPORTS IS SEVERE. DOMESTIC SCRAP PRICES HAVE MORE THAN DOUBLED OVER PAST 12 MONTHS. LEGISLATION WHICH WOULD SUPERCEDE CURRENT EXPORT CONTROL PROGRAM AND SET STRICT 600,000 TON MONTHLY LIMIT ON EXPORTS HAS BEEN INTRODUCED IN CONGRESS. ALSO, SINCE PRODUCTION OF STEEL FROM SCRAP REQUIRES CONSIDERABLY LESS ENERGY THAN STEEL MAKING PROCESSES STARTING WITH IRON ORE, NEED FOR CONSERVING SCRAP IS FURTHER ACCENTUATED BY CURRENT ENERGY SUPPLY DIFFICULTIES. AS RESULT, AMENDMENT HAS BEEN ATTACHED TO ADMINISTRATION'S EMERGENCY ENERGY BILL WHICH WOULD REQUIRE URGENT DEVELOPMENT OF ENERGY

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CONSERVATION PLANS FOR PRIORITY ALLOCATION OF FERROUS SCRAP TO DOMESTIC CONSUMERS.

5. EMBASSY MAY DRAW ON PARA 3 AND 4 TO RESPOND TO HOST GOVERNMENT REQUESTS FOR SPECIAL TREATMENT UNDER ANNOUNCED EXPORT CONTROL PROGRAM AND TO APPRISE HOST GOVERNMENT OF CIRCUMSTANCES IN WHICH USG FERROUS SCRAP LICENSING POLICY FOR FIRST QUARTER CY 1974 WAS FORMULATED.

6. IF OFFICIAL VISITS TO WASHINGTON ARE PROPOSED BY HOST GOVERNMENT TO DISCUSS SPECIAL TREATMENT, EMBASSY SHOULD ALSO ADVISE HOST GOVERNMENT THAT WASHINGTON TRIPS AT THIS TIME CAN SERVE NO CONSTRUCTIVE PURPOSE. USG WOULD OF COURSE BE WILLING TO CONSIDER WRITTEN REQUESTS FOR ADDITIONAL SCRAP WITHIN VERY TIGHT LIMITS OF AVAILABLE SUPPLIES AND OTHER CONSTRAINTS DESCRIBED ABOVE. ANY SUCH REQUEST SHOULD CONTAIN FULL AND DETAILED RATIONALE FOR AMOUNT REQUESTED. RUSH

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